

**PUBLIC DISCLOSURE**

February 13, 2004

**COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**NEWBURYPORT FIVE CENTS SAVINGS BANK**

**63 STATE STREET  
NEWBURYPORT, MASSACHUSETTS 01950**

**DIVISION OF BANKS  
ONE SOUTH STATION  
BOSTON, MA 02110**

<p><b>NOTE:</b> This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of Banks concerning the safety and soundness of this financial institution.</p>
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## **I. GENERAL INFORMATION**

The Community Reinvestment Act ("CRA") requires the Massachusetts Division of Banks ("Division") to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the needs of its entire assessment area, including low and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the Division must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the CRA performance of **Newburyport Five Cents Savings Bank** (or the "Bank") prepared by the Division, the institution's supervisory agency, as of **February 13, 2004**. The Division evaluates performance in the assessment area(s), as they are defined by the institution, rather than individual branches. This assessment area evaluation may include the visits to some, but not necessarily all of the institution's branches. The Division rates the CRA performance of an institution consistent with the provisions set forth in 209 CMR 46.00.

## **II. INSTITUTION'S CRA RATING: This institution is rated "Satisfactory"**

### **a. OVERALL RATING**

The Bank's Satisfactory rating was based on three performance criteria: the Lending Test, the Investment Test, and the Service Test and covers the period January 1, 2002 through December 31, 2003.

Ratings for each of the three tests are identified on page 3. The Bank's lending levels reflect a good responsiveness to its assessment area's credit needs. The Bank originated 83.1 percent of the number and 83.8 percent of the dollar amount of Home Mortgage Disclosure Act ("HMDA") reportable loans and 90.7 percent of the number and 87.6 percent of the dollar amount of its small business loans within its assessment area during the period under review. The Bank's geographic distribution of loans compared to the demographics of the assessment area of all other HMDA reporters is considered good. The products reviewed, the lending distribution by borrower income and small business profile show a good penetration among retail customers of various income levels as well as small businesses. The Bank has extended an adequate level of community development loans, when considering the needs of the area and the resources of the Bank. The Bank also makes good use of innovative and flexible-lending practices to better serve the assessment area's credit needs, including low and moderate-income individuals. In addition, the Bank's fair lending performance was found to be satisfactory at this time. Therefore, the institution's lending performance receives an overall rating of High Satisfactory.

The Bank has made a reasonable level of qualified community development investments and grants via donations to non-profit organizations within the assessment area that benefit affordable housing and community development. In addition, the Bank exhibits a fair responsiveness to credit and community economic development needs.

The Bank's delivery systems are accessible to all portions of the assessment area. The Bank's services are designed to meet the needs of the assessment area, with specific services benefiting low and moderate-income individuals. Bank personnel meet with local community organizations to discuss the credit needs of the assessment area, and make their own personal contributions through volunteer efforts in various organizations.

**b. LENDING, INVESTMENT, AND SERVICE TEST TABLE**

<b>PERFORMANCE TESTS</b> <b>Newburyport Five Cents Savings Bank</b>			
<b>Performance Levels</b>	Lending Test*	Investment Test	Service Test
Outstanding			
High Satisfactory	<b>X</b>		
Satisfactory		<b>X</b>	<b>X</b>
Needs to Improve			
Substantial Non-Compliance			

\*Note: The Lending Test is weighed more heavily than the Service and Investment Tests when arriving at an overall rating.

## **c. DISCUSSION OF FINDINGS**

### **PERFORMANCE CONTEXT**

#### **Description of Institution**

Newburyport Five Cents Savings Bank is a mutual savings institution, incorporated under the laws of the Commonwealth of Massachusetts in 1854.

As of its December 31, 2003, Federal Financial Institution Examination Council ("FFIEC") Quarterly Call Report, the Bank had \$447,182,000 in total assets. Of these total assets, approximately \$303,303,000, or 67.8 percent, were in the form of loans.

The primary focus of the Bank's loan portfolio is the origination of 1-4 family residential loans. In addition, the Bank's loan portfolio is made up of commercial real estate loans, home equity loans and consumer loans.

Refer to the following table for the distribution of the Bank's loan portfolio.

**Loan Portfolio Composition**

<b>Loan Type</b>	<b>Amount (000s)</b>	<b>Percent</b>
Construction and Land Development	36,965	12.2
Secured by Farmland	532	0.2
1-4 Family Residential	201,718	66.5
Multi-Family (5 or more) Residential	4,226	1.3
Commercial	46,647	15.4
<b>Total Real Estate Loans</b>	<b>290,088</b>	<b>95.6</b>
Commercial and Industrial	8,920	3.0
Consumer	4,292	1.4
Other	1,304	0.4
Less: Unearned Income	(1,301)	(0.4)
<b>Total Loans</b>	<b>303,303</b>	<b>100.0</b>

Source: December 31, 2003 Consolidated Report of Condition.

The Bank is headquartered at 63 State Street Newburyport, Massachusetts, and operates three other full-service offices located in Newburyport, Newbury and Salisbury. In addition, the Bank operates a limited service office in an assisted living facility in Newburyport. The Bank has Automated Teller Machines ("ATM"s) located at all of its full service offices.

The Bank operates in a very competitive market, which includes 316 lenders. Local competitors include, but are not limited to, the following: The Institution for Savings in Newburyport and Its Vicinity; BankNorth, N.A.; Fleet National Bank; and The Provident Bank; as well as numerous representatives of regional and national mortgage companies. The market influence from these institutions appears to be significant, and as a result serves to keep the Bank's rates and services offered competitive.

## **Description of Institution (continued)**

The Bank's CRA Committee is comprised of the Executive Vice President/CRA Officer, Marketing Coordinator and two Trustees. The Committee meets quarterly and is responsible for overseeing the Bank's CRA and Fair Lending efforts.

Market share information obtained from CRA WIZ, based on 2002 aggregate performance data, indicates that the Bank was ranked fifth in total loans originated or purchased within its assessment area.

The Bank's performance with respect to the CRA was last examined by the Federal Deposit Insurance Corporation ("FDIC") on September 30, 2002. This was the Bank's first examination as a large institution. That examination resulted in an overall rating of "Satisfactory." The last examination by the Division, which was the Bank's final examination as a small institution, was April 12, 1999, and resulted in an overall rating of "Outstanding."

Based on the Bank's financial condition, size, product offerings, and branch network, there does not appear to be any legal impediments which inhibit its ability to help meet the various credit needs of the assessment area.

## Description of Assessment Area

### Overview

The CRA regulation requires financial institutions to define an assessment area within which its CRA performance will be evaluated. The Bank's assessment area contains six cities and towns located in the Boston and Lawrence NH-MA Metropolitan Statistical Areas ("MSA"s). The Office of Management and Budget establishes MSAs for statistical reporting purposes by federal agencies.

The Boston MSA consists of the City of Newburyport and the Towns of Amesbury, Newbury, Salisbury and Seabrook New Hampshire.

The Lawrence NH-MA MSA contains the Town of West Newbury.

Beginning in 2003, all HMDA reporting lenders started using geographic information based on the new 2000 U.S. Census data. Consequently, the following discussion incorporates both the 1990 and 2000 U.S. Census data for the Bank's assessment area.

The census tract income levels are based on the median family income within the given tract. The CRA regulation defines income levels as: low-income (less than 50 percent of the area median income), moderate-income (50 to 79 percent of median family income), middle-income (80 to 119 percent of area median income), and upper-income (120 percent and greater of the area median income). The table below compares the assessment area's 1990 census tract composition to the tract/geographic composition based on the 2000 U.S. Census data.

Changes in Assessment Area Geographies							
Census Levels	Tract	1990 Census Data		2000 Census Data		Changes in Tracts	
		#	%	#	%	#	%
Moderate		1	8.3	1	7.7	0	0.0
Middle		10	83.4	9	69.2	1	(10.0)
Upper		1	8.3	3	23.1	2	200.0
Totals		12	100.0	13	100.0	1	8.3

Based on 1990 Census data, the Bank's assessment area contained 12 census tracts or geographies. The City of Newburyport and the Town of Amesbury each contain 4 middle-income census tracts. Newbury and Salisbury each encompassed a middle income geography/tract. West Newbury contained an upper- income census tract. Lastly, Seabrook, New Hampshire comprised the only moderate-income geography in the assessment area.



## Description of Assessment Area (continued)

Based on the 2000 U.S. Census data, the Bank's assessment area now contains 13 tracts or geographies. The 1 moderate-income census tract remained in Seabrook, New Hampshire. Amesbury retained its 4 middle-income tracts. West Newbury continues to be comprised of 1 upper-income tract, while Salisbury added a middle income tract. Newburyport had 1 of its 4 tracts upgraded from middle-income to upper-income. Newbury's middle-income tract was upgraded to upper-income.

Having discussed the shift of census tracts by income levels and municipality, the table below compares certain housing characteristics based on 1990 and 2000 Census data.

<b>Census Tract Housing Characteristics (Distribution by Percentage)</b>								
<b>Income Category</b>	<b>1990 Census</b>				<b>2000 Census</b>			
	<b>House-holds</b>	<b>Housing Units</b>	<b>Owner Occupied</b>	<b>Median Home Value</b>	<b>House-holds</b>	<b>Housing Units</b>	<b>Owner Occupied</b>	<b>Median Home Value</b>
<b>Moderate</b>	13.7	14.2	7.2	\$144,000	14.0	15.1	8.0	\$140,500
<b>Middle</b>	80.9	81.1	44.7	\$163,140	66.8	66.3	39.1	\$202,491
<b>Upper</b>	5.4	4.7	4.2	\$229,500	19.2	18.6	15.1	\$281,868
<b>Totals or Median</b>	100.0	100.0	<b>56.1</b>	<b>\$178,880</b>	100.0	100.0	<b>62.2</b>	<b>\$208,286</b>

As the table demonstrates, the increase in the number of upper-income tracts (from 1 tract in 1990 to 3 tracts in 2000) significantly influenced the distribution of households and housing units among the middle and upper- income geographies. The upper tracts in 1990 held 5.4 percent of households, 4.7 percent of all housing units and 4.2 percent of all owner-occupied housing units. In comparison, the upper tracts based on 2000 Census data contain 19.2 percent of all households, 18.6 percent of housing units and 15.1 percent of all owner occupied dwellings. Furthermore, the middle tracts, which in 1990 contained 80.9 percent of households and 81.1 percent of housing units and 44.7 percent of owner occupied dwellings; now contain 66.8 percent of households, 66.3 percent of all housing units and 39.1 percent of owner occupied housing units.

One community contact was conducted during the examination and provided relevant information on the assessment area's credit needs. The contact was conducted in Amesbury with an organization whose primary goals are to provide affordable housing and downtown restoration.

### ***City of Newburyport, Massachusetts***

Newburyport is located at the mouth of the Merrimac River, 30 miles north of Boston. Protective of its heritage, the city launched a massive redevelopment scheme in the early 1960's, using state and federal funds to reclaim its historic neighborhoods of granite, brick and cobblestones and provide up-to-date infrastructure such as water and sewer renovations. However steeped in the past, the city did not neglect to prepare for a lively present and built an industrial park at the same time, which now houses diversified small industries. The city has a strong tourist industry and was the first community in the state to complete a master plan and a harbor plan. Its adjacent river is used for recreation and its old fire station now houses a theatre and restaurant. Many residents of the heavily residential community commute daily to Boston. It is expected that the completion of that link would encourage the growth of the community.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS:**

### **LENDING TEST**

The institution's Lending Test performance was rated an overall "High Satisfactory." The institution's lending efforts are rated under the seven major performance criteria: Lending Activity, Geographic Distribution, Borrower Characteristics, Community Development Lending, Innovative or Flexible Lending Practices, Fair Lending, and Loss of Affordable Housing. The following information details the data compiled and reviewed, as well as conclusions on the Bank's performance.

#### **Scope of Evaluation**

The lending test evaluates an institution's record of helping to meet the credit needs of its assessment area based on an analysis of its HMDA reportable, small business, and community development loans. HMDA reportable and small business loans originated during 2002 and 2003 were included in the Bank's performance.

The data used to evaluate the bank's lending was derived from the HMDA/LAR (Home Mortgage Disclosure Act/ Loan Application Register) and the Bank's CRA Disclosure Statement.

#### **I. Lending Activity**

The Bank had total assets of \$447 million as of December 31, 2003. Net loans totaled \$301 million or 67.3 percent of total assets. Lending on one-to-four family residential properties represents the largest portion of the Bank's loan portfolio, followed by commercial real estate loans and home equity lines of credit.

The Bank's net loans and leases to assets ratio was 67.2 percent as of December 31, 2003. The peer group's net loans and leases to assets ratio for the same time was 60.7 percent, placing the Bank in the 62<sup>nd</sup> percentile. The Bank's ratio is higher than its peers; however, it should be noted that the UBPR determines a peer ratio based on similarly sized banks nationwide without regard to regional or state differences.

#### **HMDA-Reportable Loans**

For the period reviewed, the Bank originated 817 HMDA-reportable loans totaling \$173 million. Of these loans, 679, representing 83.1 percent of the total loans, were originated in the assessment area. By dollar amount, these loans totaled \$145 million or 83.8 percent. Of the loans originated within the assessment area, 480 or 70.7 percent were for refinances and 181, or 26.7 percent, were for conventional home purchases. In addition, it should be noted that the Bank's HMDA reportable loans increased by 43.2 percent by number and 53.2 percent by dollar amount from 2002 to 2003. Of these, the largest increase was in refinances.

## HMDA-Reportable Loans (continued)

Newburyport accounted for the largest percentage of originations by number with 49.3 percent, followed by Salisbury with 30.6 percent. Newburyport accounted for the largest dollar volume of originations with 52.7 percent, followed by Salisbury with 26.6 percent. Refer to the following tables for additional information regarding the Bank's HMDA-reportable lending, by both number and dollar volume.

Distribution of HMDA Reportable Loans Inside and Outside of the Assessment Area								
Year	Inside				Outside			
	Number of Loans		Dollar in Loans (000s)		Number of Loans		Dollars in Loans (000s)	
	#	%	\$	%	#	%	\$	%
<b>2002</b>	272	81.0	55,677	81.5	64	19.0	12,635	18.5
<b>2003</b>	407	84.6	89,237	85.3	74	15.4	15,383	14.7
<b>Total</b>	679	83.1	144,914	83.8	138	16.9	28,018	16.2

Source: HMDA /LAR, CRA Wiz

## Small Business Lending

The Bank's Small Business Loan Registers (SBLRs) for 2002 and 2003 were reviewed to determine the amount of credit extended within the assessment area. For purposes of this loan register, a small business loan is defined as "a loan with an original amount of \$1 million or less that is: secured by non-farm nonresidential properties; or commercial and industrial loans to US addressees, as defined in the FDIC Call Report Instructions." The Bank originated 289 small business loans totaling \$20.3 million, during this period. A total of 262 loans for \$17.8 million were originated to businesses within the Bank's assessment area, representing 90.7 percent by number and 87.6 percent by dollar volume.

Refer to the following table for the distribution of small business loans inside and outside the assessment area.

Distribution of Small Business Loans Inside and Outside of the Assessment Area								
Year	Inside				Outside			
	Number of Loans		Dollar in Loans (000s)		Number of Loans		Dollars in Loans (000s)	
	#	%	\$	%	#	%	\$	%
<b>2002</b>	143	88.8	9,901	89.3	18	11.2	1,188	10.7
<b>2003</b>	119	93.0	7,931	85.5	9	7.0	1,342	14.5
<b>Total</b>	262	90.7	17,832	87.6	27	9.3	2,530	12.4

Source: CRA Data Collection

## Small Business Lending (continued)

The Bank's level of HMDA-reportable and small business lending reflects a good responsiveness to the credit needs of the assessment area based on the Bank's size, strong local competition and its financial condition.

### II. Geographic Distribution by Census Tract Income Level

HMDA-reportable loans located within the Bank's assessment area were further analyzed to determine their location by census tract income level.

#### 2002 HMDA-Reportable Loans

The table below shows the number of HMDA reportable loans in comparison to the number of owner-occupied housing units in each census tract for calendar year 2002 based on the 1990 census data. In addition, the Bank's HMDA reportable loans were compared to that of all other HMDA-reporters in the assessment area. Other HMDA reporters include bank and non-bank entities such as large national banking companies, other local banks, credit unions and mortgage companies. The most recent data available for this analysis relates to calendar year 2002. Refer to the following table for details.

Distribution of HMDA Loans by Income Category of the Census Tract				
Census Tract Income Level	% Total Owner- Occupied Housing Units per 1990 Census Data	Aggregate Lending Data (% of #) 2002	The Newburyport Bank 2002	
			#	%
Moderate	12.9	8.4	40	14.7
Middle	79.5	83.1	212	77.9
Upper	7.6	8.5	20	7.4
Total	100.0	100.0	272	100.0

Source: 1990 U.S. Census, HMDA/LAR, and HMDA Aggregate Data

As shown in the above table, 14.7 percent of the loans originated within the moderate-income census tract is higher than the 12.9 percent of owner-occupied housing units in the assessment area. In addition, the above data shows that the number of loans in middle and upper-income census tracts mirror the percentage of owner-occupied housing units in these areas.

As demonstrated above, the percentage of the Bank's lending activity in the one moderate-income census tract for 2002 exceeds that of the aggregate. In addition, the above table demonstrates that the Bank's HMDA-reportable loans originated in middle-and upper income census tracts were proportionate to the aggregate.

## 2003 HMDA-Reportable Loans

The following table shows the number of HMDA reportable loans in comparison to the number of owner-occupied housing units in each census tract for the calendar year 2003, based on the 2000 census data.

Distribution of HMDA Loans by Income Category of the Census Tract			
Census Tract Income Level	% Total Owner-Occupied Housing Units per 2000 Census Data	Year-to-date 2003	
		#	%
<b>Moderate</b>	15.1	60	14.7
<b>Middle</b>	66.3	260	63.9
<b>Upper</b>	18.6	87	21.4
<b>Total</b>	<b>100.0</b>	<b>407</b>	<b>100.0</b>

Source: 2000 U.S. Census, HMDA/LAR, and HMDA Aggregate Data

As shown in the above table 14.7 percent of the Bank's total loans for the period under review was within the Bank's one moderate-income census tract and is slightly lower than the assessment area's owner-occupancy rate of 15.1 percent. Lending in the middle and upper-income census tracts was proportionate to the percent of owner-occupied housing units in those areas.

## Small Business Lending

The Bank's small business loans were analyzed to determine the distribution by census tract income level within its assessment area. The Bank has a good level of small business loans throughout its assessment area.

The following table depicts this distribution.

Distribution of Small Business Loans by Income Category of the Census Tract						
Census Tract Income Level	2002		2003		Total	
	#	%	#	%	#	%
<b>Moderate</b>	3	2.1	3	2.5	6	2.3
<b>Middle</b>	135	94.4	96	80.7	231	88.2
<b>Upper</b>	5	3.5	20	16.8	25	9.5
<b>Total</b>	<b>143</b>	<b>100.0</b>	<b>119</b>	<b>100.0</b>	<b>262</b>	<b>100.0</b>

Source: CRA data collection

## Small Business Lending (continued)

Based on the above information, the Bank's distribution of HMDA-reportable loans and small business loans by census tract income level reflects a good dispersion of loans throughout the assessment area, given the strong level of competition within the assessment area. In addition, 100 HMDA reportable loans originated in the moderate-income census tracts is excellent given that the bank only has one moderate-income tract.

### III. Borrower Characteristics

#### HMDA-Reportable Lending

The Bank's HMDA loans were further analyzed to determine the distribution of lending by borrower income level. The borrowers' reported incomes were compared to the median family incomes for the Boston MA-NH and Lawrence NH-MA MSAs, depending on the location of the property. These income figures are based on estimated Department of Housing and Urban Development (HUD) information. The incomes for the Boston MA-NH MSA for 2002 and 2003 are \$74,200 and \$80,800, respectively and \$67,400 and \$74,300, respectively for the Lawrence MA-NH MSA.

#### 2002 HMDA-Reportable Loans

The following table shows the number of HMDA-reportable loans granted to low, moderate, middle and upper-income borrowers in comparison to the number of households in the assessment area in each respective income group based on 1990 census data. In addition, the distribution of the Bank's loans among various borrower income levels was compared to that of all other HMDA-reporting lenders in the assessment area. The most recent data available for this analysis relates to calendar year 2002. Refer to the following table for details.

Distribution of HMDA loans by Borrower Income				
Median Family Income Level	% Total Households Per 1990 Census Data	Aggregate Lending Data (% of #)	The Newburyport Bank 2002	
		2002	#	%
Low	24.7	4.5	29	10.7
Moderate	17.8	15.9	59	21.7
Middle	21.5	25.3	72	26.5
Upper	36.0	37.6	98	36.0
N/A		16.7	14	5.1
Total	100.0	100.0	272	100.0

Source: 1990 U.S. Census, HMDA/LAR, and HMDA Aggregate Data

## 2002 HMDA-Reportable Loans (Continued)

During 2002, the Bank extended 29 loans to low-income borrowers representing 10.7 percent of the total loans originated within the assessment area. This is well below, the 24.7 percent of low-income households within the assessment area. However, the Bank's performance exceeds the aggregates 4.5 percent.

In 2002, the Bank originated 59 loans to moderate-income borrowers, representing 21.7 percent of the total originations within the assessment area. This percentage is higher than the 17.8 percent of moderate-income households within the assessment area and exceeds the aggregates 15.9 percent.

The Bank ranked second in market share in lending to low and moderate-income individuals in the assessment area in 2002. The Bank originated 88 loans to low and moderate-income borrowers capturing 5.6 percent of the market. The number one lender to low and moderate-income borrowers was Countrywide Home Loans with 7.9 percent.

## 2003 HMDA-Reportable Loans

The following table shows the number of HMDA reportable loans in comparison to the number of households in each census tract for the period January 1, 2003 to December 31, 2003 based on 2000 census data.

Distribution of HMDA loans by Borrower Income			
Median Family Income Level	% Total Households per 2000 Census Data	2003	
Low	21.6	56	13.8
Moderate	15.6	94	23.1
Middle	19.4	98	24.1
Upper	43.4	135	33.2
N/A		24	5.8
Total	100.0	407	100.0

Source: 2000 U.S. Census, HMDA LAR, and HMDA Aggregate Data

In 2003, the Bank extended 56 loans to low-income borrowers representing 13.8 percent of the total loans originated within the assessment area. This is below the 21.6 percent of low-income households within the assessment area. However, this can be attributed to the fact that approximately 6.1% of these individuals are living below the poverty level. In addition, the price of purchasing a home in this market makes it difficult for a low-income individual to qualify for a home loan.

In 2003, the Bank originated 94 loans to moderate-income borrowers, representing 23.1 percent of the total originations within the assessment area. This percentage is above the 15.6 percent of moderate-income households within the assessment area.



## 2003 HMDA-Reportable Loans

The distribution of HMDA-reportable loans by borrower income demonstrates the Bank's willingness to lend to borrowers of all income levels, including those of low and moderate-income.

### Small Business Lending

Small business loans originated within the Bank's assessment area were analyzed to determine the typical loan amount at origination. Of the 262 small business loans originated in the Bank's assessment area, 217 had original loan amounts of \$100,000 or less. Refer to the table below.

Distribution of Small Business Loans by Loan Size						
Loan Size (000s)	2002		2003		Total	
	#	%	#	%	#	%
<b>\$100 or Less</b>	119	83.2	98	82.4	217	82.8
<b>&gt; \$100 - \$250</b>	15	10.5	11	9.2	26	9.9
<b>&gt; \$250 - \$1,000</b>	9	6.3	10	8.4	19	7.3
<b>Total</b>	<b>143</b>	<b>100.0</b>	<b>119</b>	<b>100.0</b>	<b>262</b>	<b>100.0</b>

Source: CRA Data Collection

Small business loans originated within the Bank's assessment area during this period were also analyzed to determine the distribution among businesses of various sizes. The vast majority of small business loans originated (88.2%) were granted to small businesses with annual revenues of \$1 million or less, which shows that the Bank is meeting the credit needs of the small and medium sized businesses. The following table depicts the distribution of small business loans within the Bank's assessment area by revenues of the business.

Distribution of Small Business Loans by Gross Annual Revenues of Business						
Gross Annual Revenues (000s)	2002		2003		Total	
	#	%	#	%	#	%
<b>&lt;= \$1,000</b>	119	83.2	112	94.1	231	88.2
<b>&gt; \$1,000</b>	24	16.8	7	5.9	31	11.8
<b>Total</b>	<b>143</b>	<b>100.0</b>	<b>119</b>	<b>100</b>	<b>262</b>	<b>100.0</b>

Source: CRA Data Collection

Based on the above information and the competitive environment, which the Bank operates, lending to borrowers of different income levels and businesses of various sizes with small business loans reflects an excellent performance.

#### **IV. Community Development Lending**

The Bank's level of community development lending is reasonable based on the opportunities within the assessment area. By definition, a community development loan is a loan that: 1) has as its primary purpose community development; 2) except in the case of a wholesale or limited purpose bank, has not been reported or collected by the bank or an affiliate for consideration in the bank's assessment area as a home mortgage, small business, small farm, or consumer loan, unless it is a multi-family dwelling loan; and, benefits the bank's assessment area(s) or a broader statewide or regional area that includes the bank's assessment area(s).

The Bank originated \$1,525,000 in community development loans during this review period.

On January 20, 2003, the Bank granted a \$325,000 loan to an Assisted Living Center in Salisbury. The proceeds of the loan were for repairs to the building, new boiler, new carpeting, and paint, among other things. The center's primary purpose is meeting the needs of frail elders and other individuals with disabilities who are low or moderate-income.

On February 4, 2004, the Bank granted a \$1.2 million dollar loan to a women's transitional housing facility located in Salisbury. The monies are to be used to create 16 new beds for very low-income homeless woman suffering from drug and alcohol addiction.

The following two projects do not qualify as community development loans because they do not have community development as their primary purpose, however a portion of the projects will benefit low and moderate-income individuals. Therefore, they are worthy of mention.

On October 30, 2003, the Bank granted an \$800,000 loan for the funding of a 28-unit townhouse project in Salisbury. This is a 40B project, which dictates that 25 percent of the units (7 in this case) must be sold as low or moderate-income housing. Of the seven low or moderate-income housing units, six will go to Salisbury residents through a lottery process.

On November 7, 2003, the Bank entered into a participation agreement with two other financial institutions to grant a \$16 million dollar loan to a developer for the construction of 114 residential condominium units in Newburyport. Twenty-five percent or 29 of these units will be designated as affordable. The sale of these 29 units will be conducted through a lottery by the non-profit Citizens Housing and Planning Association (CHAPA). The Bank's portion of this loan is \$5 million.

## **V. Innovative or Flexible Lending Practices**

### **Performance Criteria**

The institution's innovative and flexible lending practices are evaluated pursuant to the following criteria:

The degree to which the loans serve low- and moderate-income creditworthy borrowers in new ways or serve groups of creditworthy borrowers not previously served by the institution; and the success of each product serving low- and moderate-income borrowers, including the number and dollar volume of loans originated during the review period.

The Bank makes use of innovative and flexible lending practices and programs in providing for the credit needs of its assessment area.

### **Home Mortgage Products**

The Bank offers an internal first time homebuyer product that features flexible underwriting standards and reduced closing costs. The following table details the production levels for this product.

<b>First Time Homebuyer Loans</b>			
YEAR	#	\$	AVERAGE LOAN
2002	10	1,889,700	188,970
2003	24	5,160,120	215,005
TOTAL	34	7,049,820	207,347

The Bank is also a participating lender in the Coastal First Time Homebuyer Program, sponsored by Community Action, Inc., a Newburyport-based non-profit organization dedicated to providing affordable housing for low and moderate-income residents. Based on household income, borrowers are eligible for a \$500 reduction in closing costs and a downpayment assistance loan of up to \$10,000. These funds are derived from the Federal Home Loan Bank of Boston (FHLBB) Affordable Housing Program (AHP), and administered by Community Action Inc. The Bank made three loans totaling \$793,000 during the period under review.

## Home Mortgage Products (continued)

The Bank is one of the few area financial institutions to offer mobile home financing. In general, the Bank is a portfolio lender, which allows them a greater degree of flexibility in meeting the credit needs of the assessment area. The following table details the Bank's record of financing mobile homes during the review period.

Mobile Home Financing			
YEAR	#	\$	AVERAGE LOAN
2002	14	847,865	60,562
2003	29	2,215,420	76,393
TOTAL	43	3,063,285	71,239

As the above table shows, the average loan amounts are well below the figures noted in the first time homebuyer programs and clearly indicative of financing geared towards low and moderate-income residents.

## Government-Sponsored Loan Programs

**SBA Low-Doc Program:** The program provides up to a 90% SBA guarantee on qualified loans. Generally, the only documentation required is a one-page application, which is generally processed in as little as two or three days. The program focuses primarily on a borrower's character, credit and business experience. During the period under review, the Bank originated one loan for \$100,000.

## VI. Fair Lending Policies and Practices

The Bank's fair lending data was reviewed to determine how it relates to the guidelines established by Regulatory Bulletin 2.3-101, the Division's Community Reinvestment and Fair Lending Policy.

Bank management ascertains the credit needs of the assessment area through their involvement in several area community organizations and programs. The Bank markets its services and products to the community through a variety of mediums including print, television, radio, and the Internet. Seminars are also conducted in order to make potential customers aware of the services the bank provides.

The Bank has a formal second review policy for mortgage applications. The policy states the Board of Investment reviews any mortgage loan considered for denial before notification of the denial is communicated to the loan applicant.

### Minority Application Flow

The Bank received (for 2002 and 2003 combined) a total of 17 mortgage applications from various minority groups, representing 2.2 percent of all residential loan applications received. Of these, 14 or 82.4 percent were originated. The HMDA aggregate lenders in 2002 received 2.3 percent of all the residential applications from various minority groups and of those, 74.1 percent were originated. In 2002, the Bank's minority applicants represented 2.8 percent of all applicants. The table following provides further details.

MINORITY APPLICATION FLOW								
Racial Designation	Aggregate Data 2002		2002		2003		Totals	
	#	%	#	%	#	%	#	%
Native American	15	0.2	1	0.3	1	0.2	2	0.3
Asian	30	0.3	1	0.3	0	0.0	1	0.1
Black	16	0.2	1	0.3	1	0.2	2	0.3
Hispanic	32	0.3	0	0.0	0	0.0	0	0.0
Joint	69	0.7	3	0.9	5	1.1	8	1.0
Other	58	0.6	3	0.9	1	0.2	4	0.5
<b>Total Minority</b>	<b>220</b>	<b>2.3</b>	<b>9</b>	<b>2.8</b>	<b>8</b>	<b>1.7</b>	<b>17</b>	<b>2.2</b>
White	6,180	65.2	290	91.5	426	92.6	716	92.1
N/A	3,084	32.5	18	5.7	26	5.7	44	5.7
<b>Total</b>	<b>9,484</b>	<b>100.0</b>	<b>317</b>	<b>100.0</b>	<b>460</b>	<b>100.0</b>	<b>777</b>	<b>100.0</b>

## Minority Application Flow (Continued)

In addition, the institution's minority application flow is compared to the racial composition of the assessment area. The table details the assessment area's racial composition for the 1990 and 2000 U.S. Census.

Change in Assessment Area Racial Demographics					
Race	1990 Census Data		2000 Census Data		% Change in Number of Persons
	#	%	#	%	
Native American	124	0.2	103	0.2	-16.9
Asian	251	0.5	331	0.6	31.9
Black	202	0.4	240	0.4	18.8
Hispanic	241	0.5	555	0.9	130.3
Other	79	0.1	513	0.8	549.4
White	52,809	98.3	58,524	97.1	10.8
<b>Total Persons</b>	<b>53,706</b>	<b>100.0</b>	<b>60,266</b>	<b>100.0</b>	<b>12.2</b>
<b>Total Minority</b>	<b>897</b>	<b>1.7</b>	<b>1,742</b>	<b>2.9</b>	<b>94.2</b>

The assessment area's total population increased by 12.2 percent while the total minority population increased by 2.9 percent. The Asian, Black and Hispanic communities increased by 18.8, 31.9 and 130.3 percent, respectively. However, the racial group called "other" experienced the largest increase of any minority category with a 549.4 percent growth. The Native American community decreased by 16.9 percent. Given the racial composition and the HMDA aggregate application data, the Bank's level of attracting minority applicants is considered to be reasonable with the exception of the Hispanic and Asian groups that were below the assessment area demographics.

In addition, a review was conducted for compliance with fair lending laws and regulations and no violations of the substantive provisions of anti-discriminatory laws and regulations were identified.

## VII. Loss of Affordable Housing

The Bank offers innovative and flexible credit products that are designed to make home ownership possible for existing low and moderate-income residents to remain in their neighborhoods.

The Bank's participation in community development projects has assisted low and moderate-income individuals to remain in their neighborhoods. In addition, the Bank offers its own First Time Home Buyers program with flexible underwriting standards and reduced closing costs.

## **CONCLUSION – Lending Test**

Taking into account the number and amount of home mortgage and small business loans originated in its assessment area, the Bank has demonstrated a good responsiveness to the assessment area's credit needs. The Bank's lending demonstrates an excellent distribution of loans among individuals of different income levels and businesses of different sizes. Based upon the opportunities available within the assessment area, the Bank has made an adequate level of community development loans. In addition, the Bank's fair lending performance was found to be reasonable at this time. Based upon these findings, the institution's lending performance receives an overall rating of High Satisfactory.

## **INVESTMENT TEST**

As defined under the CRA regulation, a qualified investment is a lawful investment, deposit, membership share or grant that has community development as its primary purpose. Community development includes affordable housing for low and moderate-income individuals, community services targeted to low and moderate-income individuals, activities that promote economic development by financing small businesses or small farms, and activities that revitalize or stabilize low and moderate-income geographies. In recognition of the many legal limitations on bank investments, and the long-term nature and complexity of many community development investments, the CRA regulation allows some reasonable consideration for the entire bank portfolio of qualified investments; not just those made since the previous CRA examination.

The Bank has demonstrated a reasonable level of responsiveness to community housing and economic development needs through its donations to local community organizations.

The Bank's investment portfolio, as of December 31, 2003, totaled \$126.6 million and comprised 28.3 percent of total assets. The investments consist primarily of U.S. government-sponsored securities, mortgage-backed securities and other marketable securities, none of which are considered qualified community development investments. However, in response to the credit needs within its assessment area, the Bank supports various organizations through charitable contributions.

### **Charitable Contributions**

The Bank has made an adequate level of qualified investments, via contributions, within the assessment area. In December 2003, the Bank established the Newburyport Five Cents Savings Charitable Foundation, Inc. as a means of giving back to the community. The Board of Directors of the foundation will meet on a quarterly basis to select grant recipients. A minimum amount of five percent of the organization's investment assets is to be distributed annually. This foundation was initially funded



## Charitable Contributions (Continued)

with \$1 million in corporate stock from the Bank. An additional contribution of \$1 million will be given to the foundation on the Bank's 150<sup>th</sup> Anniversary in April 2004. There has been no money granted through the foundation since its inception.

From January 1, 2002 through December 31, 2003, the Bank granted \$504,846 in contributions. Of this amount, approximately \$283,769 or 56.2 percent was considered to be qualified investments. The following are examples of the Bank's qualified investments.

- **YWCA of Newburyport:** The YWCA provides a wide variety of services to all residents of the community, with particular emphasis on low-income housing through its group residence on Market Street, Newburyport, and its recently acquired apartment building next door for low-income households. The Family Resource Center works with predominantly low-income families in difficulty.
- **Women's Crisis Center:** This organization provides a variety of critically needed support services to women seeking to escape domestic violence, including short term, emergency housing. The predominant groups, which are supported, are low and moderate-income women.
- **Salisbury Assisted Living Center, Inc.:** This center provides subsidized housing to predominately low and moderate-income elderly individuals.
- **Community Services of Newburyport, Inc.:** This social service organization aids hungry, homeless and less fortunate members of the community by providing a food pantry, clothing, household items, food vouchers, utility vouchers, to individuals and families in greater Newburyport.
- **Anna Jaques Hospital Community Foundation:** This organization is the fundraising arm for the local hospital. The hospital does not turn away uninsured patients, therefore low and moderate-income households are able to take advantage of the hospital's services.
- **Pettengill House:** This organization provides food to low and moderate-income families and individuals in Salisbury and its vicinity.
- **Northern Essex Community College:** This community college offers scholarships for the residents of the assessment area. These scholarships are need based, and therefore awarded to low and moderate-income individuals.
- **Coastal First Time Homebuyer Program:** This program is aimed for low-income First Time Home Buyers.
- **Consumer Credit Counseling Service:** This non-profit organization provides counseling and educational programs for individuals having credit problems. Low and moderate-income individuals represent a significant portion of the client base.

## **CONCLUSION – Investment Test**

As depicted above, the Bank participates in qualified investments through its contributions within the assessment area. These contributions are directed at low and moderate-income individuals and areas. The Bank has made an adequate level of qualified investments, and has exhibited reasonable responsiveness to credit and community economic development needs. Therefore, the Bank's investment performance is considered Satisfactory.

## **SERVICE TEST**

The Service Test evaluates an institution's record of helping to meet the credit needs of its assessment area by analyzing both the availability and effectiveness of an institution's systems for delivering retail banking services and the extent and innovativeness of its community development services. The following describes the institution's services.

### **Retail Banking Services**

The Bank's main office is located at 63 State Street, in a middle-income census tract, in Downtown Newburyport. In addition, the Bank maintains three full service branch offices, one each in Newburyport, Newbury, and Salisbury; and one limited-service office in Newburyport. All five offices are located in middle-income census tracts. The limited-service office is located at Merrimack Place, an assisted living residence facility. Loan and deposit services are available to the staff and residents of this facility between 2 P.M. and 3 P.M. on Mondays, Wednesdays, and Fridays. The location of the Bank's full-service offices appears to effectively serve the entire assessment area, including Seabrook, the only moderate-income census tract in the assessment area. In addition, hours of operation at those locations appear to adequately serve the Bank's customers.

The Bank maintains a Branch Closing Policy, which outlines the Bank's procedures for closing branches. The policy meets regulatory requirements concerning branch closing notification and policies. Since the last examination, no offices have been closed.

The Bank is a participant in Massachusetts Community and Banking Council's (MCBC) Basic Banking Program. The program's purpose is to encourage financial institutions to offer low-cost checking and savings accounts for people with modest incomes. The Bank participates by offering the following low cost checking and savings accounts:

- **No-Fee Checking Account (Lifeline checking account):** the account has no minimum balance requirement and no fees.

## **Retail Banking Services (Continued)**

- **N.O.W. Checking Account (Basic Banking checking account):** a minimum balance of \$500 is required to open the account. Monthly charge of \$4.00 per month and \$.20 per check.
- **Passbook Savings Account (Basic Banking savings account):** the account has a \$10 minimum balance requirement and no fees.

Monthly maintenance fees and minimum balance requirements are waived with direct deposit of payroll or Social Security funds.

The Bank allows community organizations the use of its conference room facilities at the main office for meetings. Fourteen local organizations regularly use the Bank's conference room.

## **Alternative Delivery Systems**

Each branch, except the Merrimack Place branch, has a drive-up window and ATM for customer convenience. ATMs that are linked to the CIRRUS and NYCE networks are also available 24 hours a day at each full service office location. The Bank is also a member of the SUM network, which is a surcharge-free alliance of a number of financial institutions that include over 1,000 ATMs throughout Massachusetts. The Bank's customers can avoid ATM surcharges by conducting business at ATMs that bear the SUM logo.

The Bank offers several alternative delivery systems, including "tellerphone," bank-by-mail, and fully interactive Internet access. Customers can make deposits, transfer funds between accounts, and pay third party bills through these delivery vehicles.

## **Community Development Services**

The CRA regulation defines a community development service as a service whose purpose is primarily community development and is related to the provision of financial services. Detailed below are the Bank's community development services.

Officers of the Bank lend their technical expertise, experience, and judgment to organizations that address economic and affordable housing development. Bank officers are in decision-making positions or provide expert financial consultation to local non-profit organizations. A Bank loan officer is on the Community Development Block Grant Committee, which determines where and how federal grant monies can be best earmarked for maximum community benefit. A Bank officer is on the capital campaign committee of the YWCA of Newburyport. A Bank officer is a member of the Newbury Council on Aging. A Bank officer is on the City of Newburyport Housing rehabilitation Committee and is President of "Friends," the Newburyport Council on Aging.

## **Credit Education**

In 2002 and 2003, the Bank participated in several First Time Home Buyer Seminars. All of these seminars were conducted at the Bank's main office. In conjunction with these seminars, the Bank received a letter from the Program Director praising a mortgage loan officer for her diligence in assisting two low-income borrowers in obtaining financing for mobile homes under this program.

## **CONCLUSION - Service Test**

As depicted above, the Bank systems for delivering retail-banking services are readily accessible to geographies and individuals of different income levels in its assessment area, including those of low and moderate-income. The Bank's management has provided a reasonable level of community development services. Therefore, the Bank's service activities receive a rating of Satisfactory.

## **APPENDIX A**

### **SCOPE OF EXAMINATION**

The Bank has one assessment area within two MSAs which were reviewed using the examination procedures for large banks. The City of Newburyport and the Towns of Amesbury, Salisbury, and Newbury are in the Boston MA-NH MSA. The Town of West Newbury is in the Lawrence NH-MA MSA. The Town of West Newbury contains the assessment area's only upper-income census tract.

The CRA evaluation included HMDA-reportable loans. The time period used for HMDA-reportable was January 1, 2002 to December 31, 2003.

The Bank's qualified investments were also reviewed and exhibit adequate responsiveness to credit and community economic development needs.

In addition, the Bank's systems for delivering retail banking services and the provision of community development services were considered.

Internal analysis generated by management was reviewed during the examination, as was comparative data for the assessment area obtained from CRA WIZ. The examination also included a review of the Bank's Public File, which contained no negative CRA-related comments.

# THE COMMONWEALTH OF MASSACHUSETTS

To the COMMISSIONER OF BANKS:

THIS IS TO CERTIFY, that the report of examination of the

**NEWBURYPORT FIVE CENTS SAVINGS BANK**

for compliance with applicable consumer and fair lending rules and regulations and the Community Reinvestment Act (CRA), as of the close of business **February 13, 2004**, has been read to or by the undersigned and the matters referred to therein will have our immediate attention.

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A majority of the Board of Trustees

Dated at \_\_\_\_\_ this \_\_\_\_\_ day of \_\_\_\_\_ 20 \_\_\_\_\_

# PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each assessment area;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks, at (Address at main office)."

[Please Note: If the institution has more than one assessment area, each office (other than off-premises electronic deposit facilities) in that community shall also include the address of the designated office for that community.]

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee, which does not exceed the cost of reproduction, and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agency, may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.